

## **DISCLAIMER**

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## **APPLICATION OF**

**DELMARVA POWER & LIGHT COMPANY**

**CASE NO. PUE000001**

**To revise its cogeneration tariff pursuant  
to PURPA Section 210**

## **REPORT OF HOWARD P. ANDERSON, JR., HEARING EXAMINER**

**November 8, 2000**

On December 30, 1999, Delmarva Power & Light d/b/a Conectiv Power Delivery (“Delmarva” or “Company”), filed with the State Corporation Commission (“Commission”) an application, written testimony, and exhibits to support its proposal to modify its cogeneration and small power production rates under Service Classification “X.”

On March 14, 2000, the Commission issued an Order Establishing Cogeneration Proceeding setting a procedural schedule and hearing date of September 7, 2000. Appearing at the hearing were Guy T. Tripp, III, counsel for the Company and M. Renae Carter, counsel for Commission Staff. There were no protests and no one appeared to speak as a public witness. Proof of public notice was marked as Exhibit A and made a part of the record. Upon agreement of counsel, the prefiled testimony was entered into the record without cross-examination. A transcript of the proceeding is filed with this Report.

The Service Classification “X” schedule establishes payments for energy and capacity purchased from cogenerators and small power producers with a design capacity of 100 kW or less. At the present time, there are no qualifying facilities in the Company’s Virginia jurisdiction eligible for the Service Classification “X” tariff. In this proceeding, the Company proposes adoption of a new methodology to estimate the Company’s avoided energy and capacity costs. In place of the previous differential revenue requirements and the avoided unit methodologies, the Company proposes to estimate avoided energy and capacity payments to cogenerators and small power producers using market-determined energy and capacity prices from the broker market in the Pennsylvania-New Jersey-Maryland (“PJM”) interconnection region.

In support of its proposal, the Company points out that it is undergoing corporate restructuring and will no longer control or own generation units. After reorganization, the Company will purchase energy and capacity in the market to supply its customers. Therefore, the Company’s future avoided costs will be determined by its avoided energy and capacity market purchases. The Company bases its estimated avoided energy and capacity payments on the offer prices from a schedule of forward bid and offer prices for electric energy and capacity in the PJM broker market, prepared by TFS Energy, a PJM area broker.

Staff generally agrees with the use of PJM market prices if the Company’s forward price curve is further refined to take into account technical issues such as market liquidity, volatility,

seasonality, and its correlation with cash prices. Staff also has concerns with the lack of market data, but agrees that the Company's methodology may be acceptable for purposes of this case.

I find the Company's proposed methodology should be adopted. After reorganization, the Company will purchase energy and capacity in the market to supply its customers. Basing avoided energy costs on avoided fuel mixes is not appropriate when the Company is no longer in the business of generating electricity. Further, in today's environment, offering fixed energy and capacity prices every two years will allow the Company more flexibility in adapting its costs to market conditions, and is therefore in the public interest.

I further find that the Company's proposed customer charge and meter charges are reasonable and cost-based. These charges are based on the previously employed methodology, only updated to reflect current costs. Based on 1998 figures, the Company proposes a reduction in its monthly customer charge from \$3.00 to \$2.69.

The monthly meter charge consists of two components, dependent on the type of meter. The two components are the carrying charge for the installed cost of the meter and the operation and maintenance ("O&M") charge. If the qualifying facility pays for the installed cost of the meter initially, then only the O&M rate is charged. The Company does not propose any change to the O&M rate. The Company does, however, propose to reduce the carrying charge component of its metering charge to reflect reductions in the cost of meters.

## **FINDINGS AND RECOMMENDATIONS**

Based on the evidence in this case, I find that:

1. The Company's proposed avoided energy and capacity costs are reasonable and should be adopted;
2. Contract terms of up to five years, with energy and capacity prices updated every two years, are appropriate and should be adopted;
3. The Company should continue to monitor the PJM energy and capacity markets and further evaluate and refine its market forward pricing curve forecasting methodology;
4. The Company should continue to biennially update its Service Classification "X" rates, and report on the state of the market, including an evaluation of its methodology for forecasting market prices, at the time of the Company's next filing;
5. The Company should report to Staff three months prior to its next filing, information pertaining to resolution of technical issues involved in the forward price curve; and
6. The Company's proposed customer charge and meter charges are reasonable and should be adopted.

I therefore **RECOMMEND** the Commission enter an order that:

1. **ADOPTS** the findings contained herein;
2. **APPROVES** the Company's proposed Service Classification "X" rates; and
3. **DISMISSES** this case from the Commission's docket of active cases.

### **COMMENTS**

The parties are advised that any comments (Section 12.1-31 of the Code of Virginia and Commission Rule 5:16(e)) to this Report must be filed with the Clerk of the Commission in writing, in an original and fifteen (15) copies, within fifteen (15) days from the date hereof. The mailing address to which any such filing must be sent is Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Any party filing such comments shall attach a certificate to the foot of such document certifying that copies have been mailed or delivered to all counsel of record and any such party not represented by counsel

Respectfully submitted,

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Howard P. Anderson, Jr.  
Hearing Examiner